

NINETEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)



'22 JUL 13 AIO :17

SENATE
S. No. 469

RECEIVED BY: _____

Introduced by SENATOR JINGGOY EJERCITO ESTRADA

**AN ACT
TO PROVIDE INCENTIVES FOR THE PRIVATE SECTOR TO UNDERTAKE
RENTAL RESIDENTIAL HOUSING AT RATES AFFORDABLE TO LOW AND
MIDDLE-INCOME FAMILIES AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

Renting a dwelling unit has long been a viable alternative to Filipino families from various income classes. According to the "Rental Control Study: Final Technical Report" prepared by the Philippine Statistical Research and Training Institute in March 2015:

- All families belonging to the low income group in NCR, OHUCs and Other Areas, on the average, have negative savings monthly. Hence, they cannot afford to avail of housing loans. However, families in the low income group in OHUCs can still avail of the socialized housing program of government if they are qualified. This is also true for those low income families in Other Areas.
- The lowest rental class of Less than Php1,000 a month reported an average rent of Php527 where one-fifth (20%) of the total families or 309,287 families are involved.
- The second to the lowest rental class of Php1,000–1,999 paid an average rent of Php1,375 per month, where 32.2% or 497,807 families are involved.

- The rental class distribution of the rent paid by families, in general, shows that majority of the renters or 52.2% paid rent of less than Php2,000 a month in 2012.
- By economic group: 92.6% of the low income families pay rent of less than Php2,000 monthly; 59.5% among middle income group also pay this amount, while 21.6% among high income group also pays the same amount of less than Php2,000 a month.
- Average rent paid by NCR families is Php 3,365 per month; OHUCs families, Php2,277 and Other Areas, Php1,753.
- Ratio of rent paid to Income in NCR is 12.4%; OHUCs, 9.8%; and Other Areas, 8.4%.

Clearly, there is a need for dwelling units for rent at reasonable and affordable rates. For the private sector to invest in housing construction which will be rented to the low and middle-income level families at reasonable and affordable rates, a program package of incentives is needed.

This measure seeks to provide incentives to private companies which undertake rental residential housing at affordable rates. Such incentives include exemption from taxes and tax credits.

The approval of this measure to address the unmet needs for housing is urgently requested.


JINGGOY EJERCITO ESTRADA

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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 Section 1. *Title.* - This Act shall be known as the "*Incentives for Rental*
2 *Residential Housing by the Private Sector Act*".

3 Sec. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to
4 provide the basic need of shelter for the homeless low and middle-income with the
5 cooperation of and by providing incentives for the private sector.

6 Towards the attainment of this policy, incentives private sector provided to
7 promote, accelerate and enhance continuity of the public and private sector's
8 cooperation to provide residential housing for rent at reasonable affordable rates.

9 Sec. 3. *Incentives for Rental Housing by the Private Sector.* - Any law to the
10 contrary notwithstanding, the following incentives are hereby granted to encourage,
11 promote and support the private sector to provide rental residential housing for low
12 and middle-income families:

13 (1) Exemption from the Value-Added Tax on lease of properties of the
14 rentals from dwelling units covered by Republic Act No. 7644 and
15 such dwelling units which are hereinafter leased for residential
16 housing of low and middle-income families renovation of existing

1 units into rental apartments by construction of new units or
2 dwelling residential housing of low or middle-income families;

3 (2) Exemption from any local government taxes on real estate over –
4 the rates of levy imposed as of the effectivity of this Act under
5 Republic Act No. 7160 or the Local Government Code of 1991, to
6 the extent of the tax increase arising from the increase in the
7 assessed value of the property from and after the effectivity of this
8 Act: *Provided*, That the real estate and dwelling units constructed
9 thereon are covered by R.A. No. 7644, the rental regulation law, up
10 to December 31, 1997;

11 (3) Tax credit of twenty-five percent (25%) of the gross rentals for five
12 (5) years following the completion of the new or renovated housing
13 units for rental housing for low and middle-income families earning
14 less than One Hundred Thousand Pesos (P100,000.00) per annum
15 at rental rates of not more than Forty Thousand Pesos
16 (P40,000.00) per annum per unit necessary repairs of the rental
17 units from gross income derived from rental of the units;

18 (4) Tax credit up to twenty-five percent (25%) of the contractor-
19 developers professional fees earned from construction of new units
20 or renovation of existing units into apartment dwelling units for
21 rental residential housing for middle and low-income families
22 earning less than One Hundred Thousand Pesos (P100,000.00) per
23 annum and to be rented at not more than Forty Thousand Pesos
24 (P40,000.00) per annum per unit; and

25 (5) Entitlement to financing for the necessary repairs to preserve
26 existing rental units, renovation of existing units to apartments for
27 rental housing, or the construction of new units for rental housing
28 developmental financing provision of Republic Act No. 6846, the
29 Abot-Kaya Pabahay Fund, or the socialized housing program under
30 Section 22 (a) of Republic Act No. 7660, the Documentary Stamp
31 Tax Law, or such other Housing Financing for low and middle-
32 income socialized housing programs provided by existing law.

1 *Sec. 4. Rules and Regulations; Monitoring and Implementation.* - Rules and
2 regulations to implement this Act shall be promulgated by the Department of Human
3 Settlements and Urban Development (DHSUD) in consultation with the Department
4 of Finance (DOF), in cases of tax exemption and tax credits and with the
5 endorsement of national housing agencies with respect to programs for social
6 housing and urban development.

7 The implementation of this Act shall be monitored by the DHSUD an annual
8 report to thereof submitted to the President and Congress.

9 *Sec. 5. Effectivity.* - This Act shall take after complete publication in at least
10 one (1) national newspaper of general circulation.

Approved,